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C O N F I D E N T I A L SECTION 01 OF 04 BAGHDAD 000796

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SUBJECT: ERBIL RRT: KURDISTAN REGION TALKS ABOUT CORRUPTION

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[1](#)B. (B) 08 BAGHDAD 4042
[1](#)C. (C) 08 BAGHDAD 2815
[1](#)D. (D) 08 BAGHDAD 3587
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Classified By: Deputy PolCouns John Fox; Reasons 1.4 (B) and (D)

This is an Erbil Regional Reconstruction Team cable.

[1](#)1. (C) SUMMARY: Perceptions of widespread government corruption are common in the Kurdistan Region (KR). The dominant role that the two major parties play in the political and economic life of the KR is believed to encourage corruption and act as an impediment to reform. Domestic and international pressure has given rise to calls for anti-corruption measures, and the Kurdistan Regional Government (KRG) has taken some steps to analyze the situation. So far, however, it appears that no significant control measures or oversight processes have been put in place to improve transparency or prevent corrupt practices.
END SUMMARY

&SHOW ME CORRUPTION8

[1](#)2. (U) In an April 2007 interview with Al-Arabiya press, Kurdistan Regional Government (KRG) President Mas,ud Barzani was asked to comment on the existence of corruption in the KRG. He responded, &I do not deny that there are shortcomings and perhaps corruption. There is exaggeration in both commendation and criticism. I will be grateful to anyone in and outside of Iraq who can give me an accurate study showing where corruption is and(how we can address it.8

[1](#)3. (C) From Regional Reconstruction Team Officers, (RRTOffs) discussions with contacts, it appears that bribery of public officials is the most common form of corruption. Local businessmen say they are unable to obtain lucrative government contracts without bribing one or more government officials to look favorably upon their bid(s) or to sign off on sub-standard finished products. Foreign investors who want to start businesses in the KR claim that they are &strongly encouraged8 to work with, and pay exorbitant fees to, &local partners,8 without which they will not become licensed or do enough business to become profitable (ref b).

[1](#)4. (SBU) In addition to these allegations of bribery, there are also allegations of nepotism and cronyism in public administration. Many university students complain that they cannot be hired for jobs or receive coveted international scholarships without the right connections within one of the two major political parties, the Democratic Party of Kurdistan (KDP) or the Patriotic Union of Kurdistan (PUK) (ref e).

15. (SBU) Local and foreign business contacts report that the business empires associated with the two major political parties create a nexus of opportunity for corrupt officials to dominate the business sector and oblige would-be investors to pay for market access. The parties are also accused of interfering with the judicial process.

16. (SBU) Transparency in governmental spending is another major issue of concern. Very little information is available on public finance. The published 2008 KRG budget is a page long and does not include information relating to the 2008 supplemental budget. The head of the KNA Budget Committee informed visiting RRTOffs that the KNA had, in fact, not been involved in spending decisions on the 2008 supplemental budget.

LET,S FORM A COMMITTEE

17. (C) In response to growing internal and international perceptions of corruption, KRG Prime Minister Nechirvan Barzani (KDP) created a committee of seven ministers (including the Minister of Endowment and Religious Affairs, Q(including the Minister of Endowment and Religious Affairs, Minister of Municipalities, Minister of Planning, Minister of Extra Regional Affairs, Minister of Human Rights and two Ministers of the Region), and charged them with identifying the roots of corruption. The committee submitted its findings to Barzani,s office in mid-October 2008, but did not release the report to the public. Through the RRT was not shown a copy of the report, Minister of Religious Affairs Ahmed Shakali told RRT staff that the report focused on comprehensive government reform. Recommendations included an overall clarification of the relationship between political parties and the government and a limitation of political party interference in day-to-day governmental affairs (such as hiring and firing decisions.) The report proposed a

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reduction in the number of KRG ministers from 42 to 20, a reduction in the number of public-sector employees, transparency in KRG budget execution and adherence to the rule of law.

18. (C) Although PM Barzani accepted the committee's suggestions, Minister Shakali believes that the decision-makers in the KRG lack the will to implement them because of the personal benefits that many of them derive from the current system. So doubtful is Minister Shakali of the KRG,s intentions that when asked to head an executive anti-corruption committee to address these points, he declined because he did not believe that the committee would be empowered to effect real change.

19. (C) Abu Bakir Ali, KRG KIU Minister for the Region, was also a member of the PM,s corruption committee and has been a vocal critic of the two-party monopoly and the KRG,s failure to undertake serious steps toward reform for some time. In 2005, Ali submitted a draft law to initiate governmental reform, calling for a separation between political parties and the government, transparency in budget execution, freedom of the press and equality of citizens under the rule of law. In a recent conversation with RRTOff, Ali said that when he submitted his draft law, President Mas,ud Barzani thanked them and agreed to &use (Ali,s) valuable draft.8 Four years later, Ali says that he has seen no results. Ali believes that Prime Minister Barzani understands the need for reform, but when RRTOff asked who else had both the political power and the will with which to bring about real results, Ali was at a loss. &Everyone in the government will say that they are against corruption, because they cannot publicly say that they are for it. But until I see the actions match the words, I will not believe what they are saying.8

110. (U) On December 28, 2008, Iraqi President Jalal Talabani (PUK Secretary General) issued his own 15-point reform

proposal, which mirrored many of the recommendations made by KRG PM Barzani's committee. Among other things, Talabani's report stated that party organizations (should) not interfere in the affairs of the judiciary. They should not attempt to win intercession of the accused ones.⁸ In a nod to youth, Talabani also addressed higher education-related grievances. Independence of universities should be upheld. Political parties are not allowed to interfere in university affairs.⁸

MINORITY PARTIES SPEAK OUT, BUT ARE MARGINALIZED

¶11. (C) In January 2008, four minor political parties, the Kurdistan Islamic Group (KIG), Kurdistan Islamic Group (KIG), Kurdistan Toilers, Party (KTP) and Kurdistan Democratic Socialist Party (KDSP), submitted their own joint report to the KRG, in which they identified "reforming and combating corruption, and transparency in the incomes and spending of the (KRG)" as pressing issues in need of government resolution. The report called for a road map⁸ to address these and other concerns, such as revealing the budget of the political parties⁸ and "creating an integrity organization and providing it with the necessary power to investigate corrupt personnel and organizations." Representatives of the four parties told RRT staff that when they submitted the report in 2008, the two dominant parties in the KRG threatened to cut the budgets of the four minor parties. PM Barzani later intervened and promised to create a committee with representation from the four minor parties to investigate the allegations raised in the report. Though Qinvestigate the allegations raised in the report. Though there was discussion of the allegations, by the end of 2008, no concrete actions had been taken to address them. Based on the KRG's failure to act on the first report, the four parties prepared a second one, which they released directly to the KR public on January 10, 2009. Party representatives say that they bypassed the KRG and went straight to the media with the report this time because they wanted to increase pressure on the KRG to act.

¶12. (SBU) The report's release caused a media firestorm. In response, the KDP and PUK released a joint 18-point rebuttal on January 21, 2009 in which they vividly reminded the people of the sea of blood⁸ that the two parties had sacrificed for the sake of Kurdistan and mentioned the special committees (that) had been formed by the KRG which (had) prepared comprehensive reports in which the shortcomings had been identified.⁸ They promised to "continue to exert (their) efforts to consolidate (their) achievements and to achieve those aims that (had) not been achieved yet, to ensure stability (and create a civil society in which all the individuals in Kurdistan will be able to exercise (their) rights." Most pointedly, the rebuttal accused the four minor parties of distorting facts and of hypocrisy. Said Sarbast

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Lazgeen, Head of the Dohuk Branch of the KDP, "We think that they announced this report at this time in order to increase the votes that they get in the upcoming elections.⁸

LEGISLATIVE BRANCH WRINGS HANDS, BUT DOES LITTLE

¶13. (C) In a recent meeting with Kurdistan National Assembly (KNA) Deputy Speaker Kemal Kirkuki, he admitted that corruption affects the lives of the people. He cited market collusion as a major issue. "If the government announces a 2% increase in public sector salaries, the next day the vendors will all have increased their prices by 2%.⁸ Kirkuki also said that there is corruption in the quality control of imported goods, allowing dishonest vendors to sell sub-standard products for high-quality prices.

¶14. (C) When RRTOff asked what steps the KNA was taking to combat such practices, such as recommending the creation of oversight or monitoring groups, Kirkuki said that it was the responsibility of each of the 14 permanent committees of the

KNA to monitor its own activities. If there was to be an anti-corruption committee with oversight responsibility, Kirkuki believed that it should be independent of the KRG Council of Ministers⁸ but monitored by a judge or by the KNA.⁸ Kirkuki said the KNA should work on an anti-monopoly law, but dismissed the need for additional anti-corruption legislation. We have laws that can punish the corrupt persons. It is proving that they are corrupt that is difficult.⁸ Kirkuki said that he believed that the KRG should have a policy of full transparency, but declined to name any specific actions that the KNA was taking to provide greater visibility on government spending and activities. (Note: The KRG currently lacks a Commission on Integrity, such as the one that exists in Baghdad. According to Minister Ali there are technically two Financial Observation committees, but both are inactive. The RRT has no information on the leadership or activities of the Financial Observation committees. End Note)

CIVIL SOCIETY GROWS IMPATIENT

¶15. (C) Outside of government, there are some public calls for action. The American Society of Kurds (ASK), a US-based NGO with branches throughout the predominantly Kurdish areas of Iraq and Iran, has been extremely vocal on corruption. In a February 6, 2009 article entitled "Rotten Core," (Kurdish newspaper Soma) ASK announced its intention to conduct a project to monitor the work of the KRG Ministries of Electricity, Human Rights and Reconstruction, in an attempt to put an end to the extensive corruption that is eating away at the government.⁸ (Note: This project is being funded by the National Endowment for Democracy. End Note) ASK has conducted other such monitoring projects in the past and gives the KRG a failing grade on its delivery of essential services and adherence to promises made during the 2005 elections. In a recent meeting with RRTOff, ASK Head Rabin Rasul stated his belief that corruption has impeded the KRG's ability to deliver essential services and attract responsible⁸ foreign direct investment. Rasul said that he personally knew of several would-be investors who had declined to undertake projects in the KR because of the corrupted investment climate. Rasul also said Prime Minister Barzani had recently asked him to head an anti-corruption committee inside the KRG. Rasul refused. It is not the place of an anti-corruption monitoring committee to be under the control of the government,⁸ he said. Qcommittee to be under the control of the government,⁸ he said.

KRG SEEKS ASSISTANCE FROM THE INTERNATIONAL COMMUNITY

¶16. (C) During the fall of 2008, Prime Minister Barzani contracted with Price Waterhouse Coopers (PWC) to perform an assessment of the various work streams⁸ of the KRG, such as procurement and financial management. At the conclusion of the assessment (expected in April 2009), the PWC team will present a detailed report of their findings and a work plan for implementing their suggestions. In a recent meeting with RRT, the PWC team noted a severe lack of transparency and an absence of modern systems of public administration, which they believed impeded the KRG's ability to deliver essential services and provided an environment conducive to corruption. However, as they informed RRT, the PWC team is not specifically looking for and does not want to be perceived as investigating corruption.⁸ Instead, the PWC team's tasking from PM Barzani is to investigate the governmental systems and structures currently in place, to identify areas for improvement, and to suggest short- and long-term implementable solutions to the problems they identified.

¶17. (C) COMMENT: Some leaders in the KRG realize that the corruption label will be hard to shake and will affect the

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KR,s ability to attract and retain foreign investors. But questions remain as to whether the KRG, as a whole, is truly

committed to increasing transparency and undertaking public reform. Recommendations from committees are a good first step, but at some point, recommendations must advance to actions or they will have no effect. So far, very few concrete steps have been taken, either in the creation of oversight bodies or punishment of corrupt officials. It is no coincidence that this flurry of reform proposals from all directions is occurring during an election year, the first year that the KDP and PUK may have any competition for KNA seats. Continued encouragement from high-level USG officials to make anti-corruption efforts tangible is necessary to underscore the USG interest in the KRG's efforts to curb corrupt practices. The Embassy's Anti-Corruption Coordinator raised corruption in side discussions with KRG officials during a March 20-22 visit to the KR to attend the annual "Nawroz" (New Year) celebrations, and the Deputy Coordinator will visit the region April 4-7 for further consultations.

END COMMENT

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